

DEPARTMENT OF CALIFORNIA HIGHWAY PATROL

**COMMAND AUDIT OF
FIELD SUPPORT SECTION**



FINAL REPORT

OCTOBER 23, 2009

M e m o r a n d u m

Date: October 23, 2009

To: Office of the Commissioner

Attention: Commissioner J. A. Farrow

From: **DEPARTMENT OF CALIFORNIA HIGHWAY PATROL**
Office of the Assistant Commissioner, Inspector General

File No.: 005.9968.A13471.010

Subject: FINAL 2008 COMMAND AUDIT REPORT OF FIELD SUPPORT SECTION

In accordance with the Institute of Internal Auditors, *International Standards for the Professional Practice of Internal Auditing* §2440, issued by the Institute of Internal Auditors, Government Code §13887 (a)(2), and the California Highway Patrol (CHP) Audit Charter, I am issuing the 2008 Command Audit Report of the Field Support Section. The audit focused on the command's cash receipts, contracts, and purchasing.

The audit revealed the command has adequate operations. However, some issues were observed. This report presents suggestions for management to improve on some of its operations. In doing so, operations would be strengthened and the command would ensure it is operating in compliance with policies and procedures. We have included our specific findings, recommendations, and other pertinent information in the report. The Field Support Section agreed with all of the findings and plans to take corrective action to improve its operations. The command will be required to provide quarterly updates to the Office of Inspections on the progress of their corrective action plan implementation until the command has resolved all deficiencies. Additionally, the Office of Inspections plans on conducting a follow-up review within one year from the date of the final report.

Additionally, in accordance with the *International Standards for the Professional Practice of Internal Auditing* and Government Code §13887 (a)(2), this report, the response, and any follow-up documentation is intended for the Office of the Commissioner; Office of the Assistant Commissioner, Staff; Office of the Assistant Commissioner, Inspector General; Enforcement Services Division, Office of Legal Affairs; Office of Inspections; and the Field Support Section. Please note this report restriction is not meant to limit distribution of the report, which is a matter of public record pursuant to Government Code §6250 et seq. Furthermore, in accordance with the Governor's Executive Order S-20-90 to increase government transparency, the final audit report, including the response to the draft audit report, will be posted on the CHP's internet website, and on the Office of the Governor's webpage, located on the State's Government website.

Safety, Service, and Security

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The Office of Inspections would like to thank the Field Support Section's management and staff for their cooperation during the audit. If you need further information, please contact Assistant Chief Ken Hill at (916) 843-3005.


M. C. A. SANTIAGO
Assistant Commissioner

cc: Office of the Assistant Commissioner, Staff
Enforcement Services Division
Field Support Section
Office of Legal Affairs
Office of Inspections

BUSINESS, TRANSPORTATION AND HOUSING AGENCY

DEPARTMENT OF CALIFORNIA HIGHWAY PATROL

*COMMAND AUDIT OF
FIELD SUPPORT SECTION*

OFFICE OF INSPECTIONS, AUDITS UNIT

OCTOBER 23, 2009

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EXECUTIVE SUMMARY

The Commissioner has the responsibility, by statute, to enforce laws regulating the operation of vehicles and use of highways in the State of California and to provide the highest level of safety, service, and security to the people of California. Consistent with the California Highway Patrol's (CHP) 2008 Audit Plan, the Office of the Commissioner directed the Office of Inspections, Audits Unit, to perform an audit of a command selected by each Division. The Enforcement Services Division selected the Field Support Section.

The CHP's 2008-2009 Strategic Plan highlights the mission statement which includes five broad strategic goals designed to guide the CHP's direction. One strategic goal is to continuously look for ways to increase the efficiency and/or effectiveness of departmental operations.

The audit scope period covered the twelve months prior to the start of the audit field work. However, to provide a current evaluation of the command, primary testing was performed of business conducted during the period of January 1, 2008 through June 30, 2008.

Based on the review of the Field Support Section's operations, this audit revealed it has complied with most operational policies. However, some issues were observed. The following is a summary of the identified issues:

Cash Receipts

- The command did not retain a copy of all required supporting documents within their Transmittal Record, CHP 230, files.

Contracts

- The command's X-number contract files did not contain all required information.

Purchasing

- The command did not maintain a memorandum designating staff authorized to approve Purchase Requisitions, CHP 43.

Please refer to the Findings and Recommendations section for detailed information.

AUDIT REPORT

INTRODUCTION

To ensure the California Highway Patrol's (CHP) operation is efficient and/or effective and internal controls are in place and operational, the Office of the Commissioner directed the Office of Inspections, Audits Unit, to perform an audit of a command selected by each Division. The Enforcement Services Division selected the Field Support Section.

The CHP's 2008-2009 Strategic Plan highlights the mission statement which includes five broad strategic goals designed to guide the CHP's direction. One strategic goal is to continuously look for ways to increase the efficiency and/or effectiveness of departmental operations. This audit will assist the CHP in meeting its goal.

OBJECTIVE AND SCOPE

The objective of the evaluation is to determine if the command has complied with operational policies and procedures that provide managers with reasonable, but not absolute, assurance departmental operations are being properly executed. The audit period was twelve months prior to the start of the audit field work. However, to provide a current evaluation of the command, primary testing was performed of business conducted during the final six months of fiscal year 2007/08. This audit included the review of existing policies and procedures, as well as, examining and testing recorded transactions, to determine compliance with established policies, procedures, and good business practices. The audit field work was conducted from December 1 - 4, 2008.

METHODOLOGY

Each Division commander selected one command to be audited regarding their cash receipts, contracts, evidence, purchasing, reimbursable service contracts, and advanced payments for predetermined services. Additionally, the Division commander could select any of the following topics: asset forfeiture, fleet operations, personnel records, and strategic plan reporting. The Enforcement Services Division commander elected to focus on the six mandatory audit topical areas. When preparing for the audit, and due to limited auditing resources, reimbursable service contracts was reduced to an examination of the Driving Under the Influence (DUI) Cost Recovery Program and advanced payments for predetermined services was reduced to Wide Load Services. Also, the audit of evidence was limited to guns, drugs, and money. Sample selection of areas to be audited was primarily random or judgmental. Whenever possible, the use of risk assessment was used to select a sample containing the highest probability of risk to the command. Furthermore, the auditors reviewed prior audit reports and findings.

OVERVIEW

Cash Receipts: Cash receipts appear to be handled according to departmental policies; but could be improved. It was determined policies and procedures are in place to ensure transmittals of collections were properly prepared in accordance with the Department's policies and procedures. Counter receipt books were properly used; however, the command did not retain a copy of all required supporting documents within their Transmittal Record, CHP 230, files.

Contracts: Contracts appear to be handled according to departmental policies; but could be improved. Contracts were adequately processed, authorized, and documented in compliance with the Department's policies and procedures. However, the command's X-number contract files did not contain all required information.

Purchasing: Purchases appear to be handled according to departmental policies; but could be improved. Purchase orders are adequately processed, authorized, and documented in compliance with the Department's policies and procedures. However, the command did not maintain a memorandum designating staff authorized to approve Purchase Requisitions, CHP 43.

This audit revealed the command has adequate operations; nevertheless, issues were discovered. These issues should be addressed by management to maintain the command's compliance with appropriate laws, regulations, policies, and procedures. The findings and appropriate recommendations are presented in this report.

As a result of changing conditions and the degree of compliance with policies and procedures, the efficiency and effectiveness of operations change over time. Specific limitations may hinder the efficiency and effectiveness of an otherwise adequate operation include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, fraud, and management overrides. Establishing compliant and safe operations and sound internal controls would prevent or reduce these limitations; moreover, an audit may not always detect these limitations.

FINDINGS AND RECOMMENDATIONS

CASH RECEIPTS

FINDING 1: **The command did not retain a copy of all required supporting documents within their Transmittal Record, CHP 230, files.**

Condition: A review of ten Transmittal Record, CHP 230s, (2/8/08 – 2/14/08, 2/29/08 – 3/6/08, 3/28/08 – 4/3/08, 4/4/08 – 4/10/08, 4/11/08 – 4/17/08, 4/18/08 – 4/24/08, 5/16/08 – 5/22/08, 5/30/08 – 6/5/08, 6/6/08 – 6/12/08, 6/20/08 – 6/26/08) revealed none of the CHP 230 records contained the required photocopies of counter receipts, copies of checks, and related documents.

Criteria: Highway Patrol Manual (HPM) 11.1, Administrative Procedures Manual, Chapter 4, Miscellaneous Sales – Transmittal of Collections, paragraph 11.i.(1), (2), and (3) states,

“i. Preparing/Assembling the Transmittal. The transmittal shall be prepared in triplicate (Annex 4-C1). Separate adding machine tapes for counter receipts/certificates, checks and/or money orders, and transmittal shall be prepared, all three tapes must agree. Counter receipts, certificates, and non-receipted monies must balance to money transmitted. Attach tapes to the transmittal. All transmittals must be signed by the preparer and the commander.

- (1) Each transmittal shall include the following:
 - (a) Name of the field command submitting the transmittal.
 - (b) Field command location code.
 - (c) Date the transmittal was completed.
 - (d) Time period covered (Friday through Thursday). Weeks shall not be combined on the transmittal.
 - (e) Counter receipts (beginning the ending numbers, including voids).
 - (f) All sales, payments, and deposits listed in appropriate categories.
 - (g) Total of monies being transmitted.
- (2) Original and duplicate copy of the transmittal shall be sent to FMS, Cashiering Unit, P.O. Box 942900, Sacramento, CA 94298-2900 accompanied by:
 - (a) Original and duplicate copies of voided counter receipts.
 - (b) Duplicate copies of valid counter receipts.
 - (c) A cashier's check or postal money order for all cash applicable to sales for the period covered by the transmittal.
 - (d) All checks or money orders applicable to sales for the period covered by the transmittal.

(e) CHP form(s) as required by this chapter for any miscellaneous sales made during the period covered by the transmittal. Do not staple documents to counter receipts or checks.

(3) Duplicate counter receipts shall be assembled in numerical sequence (include both the original and duplicate copy of voids) and banded together. Checks and/or money orders shall be assembled and secured with a rubber band. These items, together with any other items(s) listed on the transmittal, and the original transmittal shall be placed in an envelope and sealed. A copy of the transmittal shall be stapled to the face of the envelope (with the name and location number of the field command visible) and forwarded to FMS, Cashiering Unit.”

Recommendation: The command should retain a copy of all required supporting documents within their Transmittal Record, CHP 230, files.

CONTRACTS

FINDING 2: **The command’s X-number contract files did not contain all required information.**

Condition: A review of ten X-number contract files (07-076-498, 07-076-508, 07-076-537, 07-076-588, 07-076-620, 07-076-641, 07-076-651, 07-076-662, 07-076-686, and 07-076-692) revealed required documents were not present in the command files. None of the listed contract files contained the Drug-Free Workplace Certification, STD. 21, and Payee Data Record, STD. 204. Eight of these files did not record the receipt date on the vendor invoice or the postmarked envelope was not present. Additionally, three of the contract files were missing the small business certification.

Criteria: HPM 11.1, Administrative Procedures Manual, Chapter 23, Delegation of X Number Contract Authority, paragraph 4.f. states, “Ensuring a completed STD. 204, Payee Data Record, and STD. 21, Drug-Free Workplace Certification, are attached to the invoice of a vendor being used for the first time. The STD. 21, Drug-Free Workplace Certification, and STD. 204, Payee Data Record, is valid for three years. The STD. 204, Payee Data Record, should only be attached to the CHP 78X, X Number Service Order, and invoice at the time of the initial service with a vendor or upon expiration of the form. The original STD. 21, Drug-Free Workplace Certification, and a copy of the STD. 204, Payee Data Record, should be retained in the originating command files for audit purposes.”

Highway Patrol Manual (HPM) 11.1, Administrative Procedures Manual, Chapter 23, Delegation of X Number Contract Authority, paragraph 5.e. says, it is the requestor’s responsibility to obtain from the “Department of General Services (DGS), Office of Small Business and Disabled Veteran-

owned Business Enterprise Services certification printout from the DGS website (www.dgs.ca.gov).”

Recommendations: The command should retain all required documents in their X-number contract files.

PURCHASING

FINDING 3: **The command did not maintain a memorandum designating staff authorized to approve Purchase Requisitions, CHP 43.**

Condition: The Command did not prepare and maintain a memorandum designating staff authorized to sign and approve Purchase Requisitions, CHP 43, during the audit period.

Criteria: HPM 11.2, Materials Management Manual, Chapter 7, Purchases, paragraph 14.a.(5) states, “NOTE: All CHP Divisions and commands shall ensure that an updated memorandum is provided to PSU showing the typed name, title, and signature of those authorized to sign and approve the CHP 43 or the expenditure of Division equipment allocations.”

Recommendation: The command should comply with the departmental policy and designate personnel authorized to sign purchase requisitions.

CONCLUSION

Based on the review of the command's operation, this audit revealed the command has adequate operations; however, some issues were observed. This report presents suggestions for management to improve on some aspects of its operations. In doing so, the command would operate in accordance with departmental policies and procedures.

ANNEX

A

Memorandum

Date: September 24, 2009

To: Office of the Assistant Commissioner, Inspector General

From: **DEPARTMENT OF CALIFORNIA HIGHWAY PATROL**
Enforcement Services Division

File No.: 060.09196.A12938.010

Subject: RESPONSE – DRAFT COMMAND AUDIT REPORT OF FIELD SUPPORT
SECTION


Enforcement Services Division has reviewed Field Support Section's response to the Office of the Assistant Commissioner, Inspector General's audit regarding cash receipts, contracts, and purchasing. Field Support Section has taken the necessary steps to resolve the noted issues and to implement procedures to ensure compliance with current policies.

If you have any questions or need additional information, please contact me or Captain Mark Brunet at (916) 445-0752.



S. LERWILL, Chief

OCT 8 2009



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ANNEX

B

M e m o r a n d u m

Date: September 24, 2009

To: Enforcement Services Division

From: **DEPARTMENT OF CALIFORNIA HIGHWAY PATROL**
Field Support Section

File No.: 065.012324.A12938.060

Subject: FIELD SUPPORT SECTION RESPONSE TO COMMAND AUDIT REPORT

Field Support Section (FSS) has reviewed the Draft Command Audit and findings, and has prepared the following response to address the identified deficiencies.

Finding 1 - Cash Receipts - Agrees

Field Support Section agrees with Finding 1, Transmittal Record, CHP 230, and did not retain a copy of all required supporting documents. Field Support Section created a binder to be kept in the clerical unit, which contains four years of weekly transmittals and copies of all supporting documents. A checklist was developed, which ensures that each step in the process has been completed in compliance with the Highway Patrol Manual (HPM) 11.1, Administrative Procedures Manual, Chapter 4. It is tabbed by year, and transmittals are in order by week. It contains the cover sheet (CHP 230), copies of each counter receipt, and corresponding check or money order. In addition, prior transmittal records have been updated and now contain supporting documents.

Finding 2 – Contracts - Agrees

Field Support Section agrees with Finding 2, Contracts, that the X-number contract files did not contain all required information. Field Support Section created a binder to be kept in the clerical unit for all records pertaining to X-numbers. A checklist was developed for each analyst to use, which ensures that each step in the process has been completed in compliance with HPM 11.1, Administrative Procedures Manual, Chapter 23. The checklist will alleviate the problem of missing any critical documentation needed for proper record keeping. The analyst must check off the boxes as he/she acquires the appropriate documents; Small Business Certificate, STD 204; Payee Data Record, STD 21; Drug Free Workplace, Vendor's Contract License Number, Liability Insurance Certificate, Workers' Compensation Insurance Certificate, etc. In addition, prior X-number files have been updated and now contain all required information.

Safety, Service, and Security

Enforcement Services Division

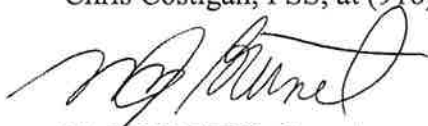
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Finding 3 – Purchasing - Agrees

Field Support Section agrees with Finding 3, and did not maintain a memorandum designating staff authorized to approve Purchase Requisitions, CHP 43. The memorandum was completed, was forwarded to Purchasing Services Unit, and will be updated quarterly as a suspense item.

If you have any questions or need additional information, please contact me or Lieutenant Chris Costigan, FSS, at (916) 445-0752.

A handwritten signature in black ink, appearing to read "M. J. Brunet", written in a cursive style.

M. J. BRUNET, Captain
Commander